

## Message Text

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ACTION NEA-10

INFO OCT-01 CU-02 ISO-00 HEW-04 OES-07 CIAE-00 INR-07

NSAE-00 EB-08 COME-00 /039 W

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P 241145Z JUL 77

FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 9034

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PASS HEW FOR SECRETARY CALIFANO

E.O. 11652: N/A

TAGS: EIND, SA, US

SUBJECT: U.S. PHARMACEUTICAL FIRM MAY SEEK APPOINTMENT WITH SAG  
HEALTH MINISTER DURING OFFICIAL VISIT

REF: JIDDA 5103 AND PREVIOUS

1. COMPANY OFFICIALS, INCLUDING MR. RICHARD C. CREAGH, VICE  
PRESIDENT OF STERLING PRODUCTS INTERNATIONAL, NEW YORK, MADE  
COURTESY CALL ON AMBASSADOR WEST ON JULY 18. THEY EXPLAINED  
THEIR JOINT VENTURE INVESTMENT WITH PRESTIGIOUS SAUDI FIRM,  
RESEARCH AND DEVELOPMENT CORPORATION - REDEC, WHOSE CHAIRMAN  
IS DR. GAITH PHAROAN, WELL KNOWN SAUDI ENTREPRENEUR.

2. STERLING OFFICIALS MENTIONED THAT SAUDI SUBSIDIARY,  
INTERNATIONAL PHARMACEUTICAL PRODUCTS, LTD. (IPP), HAD BEEN  
LOSING MONEY (SR 5 MILLION) AND THAT THEY WERE HAVING A  
PROBLEM WITH MINISTRY OF HEALTH TENDER BUT DID NOT ASK  
AMBASSADOR FOR ASSISTANCE DURING CALL.

3. LATER SAME DAY, OFFICIALS CALLED FOR URGENT APPOINT-  
MENT WITH ECONCOUNSELOR TO REVIEW IPP'S PROBLEMS. THEY  
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ALSO DISCUSSED POSSIBILITY OF EMBASSY ASSISTANCE IN SEEKING  
APPOINTMENT WITH HEALTH MINISTER, DR. GEZAIRY. EMBOFF  
TOLD STERLING OFFICERS THAT HE HIMSELF WAS TRYING TO PIN  
DOWN MINISTER'S WHEREABOUTS AND SCHEDULE IN CONNECTION  
WITH OFFICIAL VIST TO US AND DOUBTED THAT HE COULD  
ARRANGE MEETING. STERLING OFFICERS THEN DECIDED THEY  
WOULD TRY AND OBTAIN APPOINTMENT WITH MINISTER DURING HIS

VISIT TO U.S.

4. FOLLOWING IS BACKGROUND ON IPP AND ITS PROBLEMS AS WE UNDERSTAND THE MATTER. STERLING WANTED TO HAVE A MIDDLE EASTERN PHARMACEUTICAL PRODUCTION FACILITY AND ENTERED INTO JOINT VENTURE WITH REDEC. AN INDUCEMENT FOR THE INVESTMENT WAS PROMISE OF TWENTY-FIVE PERCENT PREFERENCE ON PUBLIC TENDERS OVER LOW BID. INFLATION AND FIXED PHARMACEUTICAL PRICES HAVE ERODED POTENTIAL PROFITABILITY OF FIRM UNDER PREFERENCE AND, TO DATE, FIRM HAS NOT MADE ANY MONEY.

5. RECENTLY, IPP WAS GIVEN VERBAL UNDERSTANDING THAT IT WOULD BE AWARDED SUBSTANTIAL TENDER FOR LIQUID PRODUCT FOR STOMACH DISORDER. HOWEVER, FIRM LEARNED THAT COMPETITIVE INTERESTS MAY HAVE BLOCKED THEIR CHANCES, CHARGING THAT FIRM DID NOT HAVE LICENSE TO PRODUCE LIQUID PRODUCT. THEY UNDERSTAND TENDER MAY HAVE BEEN DIVERTED TO JORDANIAN FIRM. APPARENTLY, OTHER ALLEGATIONS WERE MADE WHICH CONCERNED RESIDENT PERMITS FOR IPP'S FOREIGN PHARMACISTS.

6. DR. GAITH PHAROAN MET WITH HEALTH MINISTER SAME MORNING STERLING OFFICERS CALLED ON AMBASSADOR. HE WAS APPARENTLY UNSUCCESSFUL IN RESOLVING TENDER PROBLEM AND WAS NOT ABLE TO OBTAIN APPOINTMENT FOR STERLING OFFICERS TO SEE MINISTER AND EXPLAIN THEIR CASE. STERLING OFFICERS LIMITED OFFICIAL USE

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TOLD EMBOFF THAT IPP IS ON WAY TO CLEARING UP PROBLEMS OF PLANT LICENSING AND RESIDENT PERMITS, AND THAT DRAFT REPORT DATED JULY 14 OF HEALTH MINISTRY INSPECTOR INDICATES IPP HAS MET ALL HEALTH MINISTRY AND OTHER REQUIREMENTS. HOWEVER, IPP STILL SEEMS TO HAVE LOST THE TENDER (FOR ABOUT \$2 MILLION) WHICH COMPANY BADLY NEEDED.

7. COMMENT: EMBASSY BELIEVES THAT IPP'S PROBLEMS WILL HAVE TO BE RESOLVED IN SAUDI ARABIA AND WILL NOT BE HELPED MATERIALLY, IF AT ALL, BY IMPOSING PROBLEM ON MINISTER DURING HIS OFFICIAL VISIT. DR. GEZAIRY'S REACTION MIGHT, IN FACT, BE QUITE NEGATIVZ AND HE COULD VIEW INTERCESSION ON BEHALF STERLING AS UNDUE PRESSURE AND INAPPROPRIATE. OUR RECOMMENDATION IS THAT PROBLEM BE DEFERRED UNTIL HIS RETURN TO KINGDOM IF STERLING SHOULD SEEK APPOINTMENT. WEST

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## Message Attributes

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**TAGS:** EIND, EINV, ECEM, SA, US, STERLING PRODUCTS INT, RESEARCH & DEVELOPMENT CORP, INT PHARMACEUTICAL PRODUCTS LTD, (GEZAIRY, HUSSEIN A)  
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